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SUBJECT: NIGERIA: OPPORTUNITIES FOR US AG PRODUCT EXPORTS

REF: A. ABUJA 2169
¶B. ABUJA 2126
¶C. ABUJA 1925

¶1. Summary: Following the September 25, 2008 release of the 2008-2012 Nigerian government tariff book, a number of major import bans were eliminated and some tariffs were significantly reduced (reftel C). A review of the tariff book demonstrates that in several products there may be significant opportunities for U.S. products. Exports bans have been removed on corn, crude vegetable oil, sorghum, biscuits, sugar confectionaries, flour and fresh/dried fruits, while tariffs have been reduced on products such as rice. Due to Nigeria's decrepit infrastructure imported U.S. products may have an advantage over domestically produced products. This cable is one of two cables that will describe in detail trade policy changes and the areas where U.S. companies may take advantage.

CORN BAN LIFTED

¶2. (U) Corn imports were banned since 2005, but this ban has now been removed. The corn importation tariff rate is 5%. This removal opens an opportunity for exports of U.S. corn, primarily for use by the Nigerian poultry industry. Potential U.S. corn buyers include major commercial feed millers, who have their own port facilities and can handle larger vessels, as well as large scale poultry farmers who typically operate their own feed mills.

3 (U) U.S. import prospects are strong despite Nigerian production of both white and yellow corn. Local domestic corn production remains constrained by limited fertilizer availability, as well as a lack of high-quality seeds (reftel A). As a result, yields are very low, averaging about 1.7 metric tons (mt) per hectare, compared to nearly 10 mt per hectare in the United States. In addition, nearly all of the corn is still planted and harvested by hand because there is almost no mechanized production. This has led to very high production costs, thereby increasing domestic corn prices far above international prices. Concomitantly, a lack of storage facilities in the key corn growing areas results in high post harvest losses and negatively impacts grain quality (reftel B).

¶4. (SBU) Poultry operators have expressed a strong desire to import U.S. corn and the Poultry Association of Nigeria (PAN) lobbied the government to eliminate the import ban. The location of the poultry industry makes it beneficial to import corn, as about 80% of poultry production is located in the southwestern part of Nigeria, close to the major seaport of Lagos but a substantial distance from the corn growing areas of Nigeria.

¶5. (U) Although the domestic poultry industry is developed in Nigeria and expanding very rapidly, poultry production is still

unable to keep pace with demand (Note: Poultry imports into Nigeria remain banned. End Note). This demand is driven by changing demographics, urbanization, economic development and the rapid expansion in fast food restaurants in Nigeria, such as Chicken Republic, Tastee Fried Chicken, Drumstix, etc.

RICE TARIFF REDUCED

¶6. (U) The rice duty was reduced from 109% to 5% for seed, paddy and brown rice, while the duty on semi and wholly milled rice was reduced to 30%. Nigeria is the second largest rice importer in the world, and large rice imports are expected to continue, despite efforts by the GON to achieve self-sufficiency in rice production. Rice is produced in the country largely by resource-poor, subsistence, and small-scale farmers and the bulk of this locally produced rice is consumed by the farmers and does not enter the market chain. Domestic production remains far below demand. At present, rice is either imported bulk and bagged upon arrival or pre-bagged in 25 and 50 kilogram bags. Thailand and India are the leading suppliers to the market accounting for approximately 60% and 30% respectively in 2007. The lower duty for paddy and brown rice is a GON incentive to increase domestic milling capacity. Most of the major rice importers in Nigeria have built local milling facilities and are eager to shift from imports of wholly milled rice to paddy and brown rice, largely because of this duty advantage. This opens up a market for U.S. supplies.

CRUDE VEGETABLE OIL BAN REMOVED

¶7. (U) Beginning in 2001, the GON implemented an import ban on bulk

vegetable oil to support local producers. Branded and consumer-ready vegetable oil was also banned in 2005. The GON has removed the import ban on crude vegetable oil and the import duty is now 35%. Refined vegetable oil import remains banned. Palm oil, and to a lesser extent soybean and peanut oil, is produced in Nigeria; however, domestic vegetable oil production has not kept pace with rising demand. Nigerians are becoming more familiar with the higher quality and health benefits of soybean oil and one major domestic oilseed crusher/oil refiner has indicated that he has shifted production significantly away from peanut oil and to soybean oil due to the much higher demand for this product. Rising demand and insufficient local production has caused local prices to rise to nearly double international price levels. Removing the ban on crude vegetable oil has opened market opportunities for U.S. exports of crude vegetable oil, primarily for refining into edible oil.

SORGHUM BAN REMOVED

¶8. (U) The ban on sorghum import was removed, and the tariff is now 5%. Nigeria is the world's largest producer of sorghum, and it is the primary food crop in virtually all parts of northern Nigeria. Sorghum is used extensively in brewing, and industrial demand for sorghum by beer manufacturers is rising steadily. It is estimated that 150,000 tons of sorghum is used each year for brewing. Although Nigeria is a large sorghum producer, high domestic sorghum prices could provide opportunities for U.S. sorghum exporters to sell to the brewing industry. These major breweries are located near the Lagos port, and more that 500 miles from key growing areas. Due to Nigeria's poor infrastructure imported sorghum has a transportation advantage compared to domestic sorghum.

WHEAT FLOUR BAN REMOVED

¶9. (U) The ban on flour import was removed, and the tariff is now 35%. Nigeria has a large and well developed milling industry, and is one of the world's largest importers of U.S. wheat. Due to the milling industry's excess capacity it is unlikely that U.S. exporters will export large quantities of flour. However, there could be opportunities for U.S. exports of specialty flours in small volumes. The major mills typically only produce two types of flour

and higher-end restaurants and hotels, have demand for specialty flours for creating different products.

BISCUITS BAN REMOVED

¶10. (SBU) The 2003 instituted ban on biscuits was removed, and the tariff is now 25%. Biscuit consumption in Nigeria, which includes cookies, crackers and biscuits, has grown by 15% per year since
¶2003. According to industry sources, Nigeria's per capita biscuit consumption is 600,000 mt per annum; however, production has declined due to very high production costs due to infrastructure problems and mounting energy costs. All manufactures report that they must use generators most of the time due to epileptic electricity supply. This combination makes many domestic products non-competitive compared to imported products.

¶11. (U) Moreover, most local processors continue to manufacture primarily inexpensive, low-quality products for the low-income mass market and school-age children. As a result, few domestic products meet the quality and tastes of Nigeria's growing middle-income consumers and significant opportunities exist for U.S. exports of high-quality biscuits, cookies and crackers for this market segment.

SUGAR CONFECTIONERIES BAN REMOVED

¶12. (U) The 2003 instituted ban on sugar confectioneries was removed, and the tariff is now 35%. Nigeria's confectionery sector comprises hard candy (50%), bubble gum (30%) and toffees/other products (20%). Similar to biscuits, Nigeria's domestic production of confectionery products has grown but infrastructure and high energy costs limit production. In addition, input costs are high as all of the sugar used is imported, primarily from Brazil. Domestic confectioneries products are mostly low quality, low-price products targeted at mass markets. Due to the low quality available in Nigeria and the confectionary market's rapid growth in demand (20% per year), there are opportunities for U.S. exports of these products.

FRESH AND DRIED FRUIT BAN REMOVED

¶13. (SBU) The ban on fresh and dried fruit was removed, and the tariff is now 20%. Nigerian farmers produce millions of tons of seasonal fresh fruits and vegetables; however, the farmers suffer from very high post-harvest losses due to inadequate storage and processing facilities, and high transportation costs. There is strong local demand for fruits not grown widely in Nigeria, especially apples and grapes, which during the ban had been smuggled into the country in very large quantities. This ban removal should provide access to U.S. fresh and dried fruits exports.

COMMENT

¶14. (U) The Nigerian government's 2008-2012 tariff book presents several opportunities for U.S. exporters to become more heavily involved in trade with Nigeria and increase U.S. exports. The government's new policies should allow potential U.S. exporters to focus on corn, crude vegetable oil, sorghum, biscuits, sugar confectionaries, flour, fresh/dried fruits, and rice.

¶15. (U) This message was coordinated with ConGen Lagos.

SANDERS